FINAL REPORT

19970222

A FEASIBILITY STUDY ON THE MARKETING OF KATAHDIN MEAT SHEEP

February 2002
Funded by the Agri-Food Innovation Fund

Prepared by: Saskatchewan Katahdin Sheep Association Inc.

AGRI-FOOD INNOVATION FUND

Canada

Saskatchewan

102-05813/

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FINAL REPORT

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FOR THE

SASKATCHEWAN KATAHDIN SHEEP ASSOCIATION

WITH FUNDING FROM THE

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FEBRUARY 2001

SUMMARY:

A FEASIBILITY STUDY ON THE MARKETING OF KATAHDIN MEAT SHEEP:

The **Saskatchewan Katahdin Sheep Association** decided to investigate the cooperative marketing process for Katahdin lamb including wholesale and retail prices, distance to market, transportation costs, marketing convenience for producers, meat quality, location of finishing stations and meat processing plants, packaging, and labelling.

The key conclusions reached by this study are as follows:

- a federally-inspected sheep processing plant in Saskatchewan is essential;
- transportation distances between producers and processing plants are too great;
- a nutritional analysis of Katahdin meat showed healthy meat content;
- small animal producers (goats, deer, sheep) must work together to secure a federally-inspected processing plant;
- a minority of Katahdin producers want to be part of direct marketing activities.

TECHNICAL REPORT:

1. INTRODUCTION:

With more than 120 Katahdin flocks registered with the Saskatchewan Katahdin Sheep Association (SKSA) and the production of more than 1000 Katahdin meat animals in 1997, producers recognized the need for a comprehensive marketing strategy for both meat animals and breeding stock. To meet this challenge the SKSA formed the Saskatchewan Katahdin Marketing Group (SKMG) and directed this group to study the feasibility of marketing larger numbers of Katahdin meat sheep in Saskatchewan and abroad.

Specifically, the SKMG would investigate the significance of wholesale and retail prices, distance to market, transportation costs, marketing convenience for producers, meat quality, location of finishing stations and meat processing plants, packaging, and labelling within a cooperative marketing process.

A project proposal was prepared and submitted to the Agri-Food Innovation Fund. Approval to proceed with this project was received on December 10, 1997. A cheque for $3 000 was received on April 1, 1998 and the project began with a review of the proposed goals and objectives.

2. BACKGROUND AND OBJECTIVES:

Katahdin sheep are a breed of shedding sheep raised primarily for meat. The breed originated in the late 1950's in Abbott, Maine, USA. They are a recognized breed in Canada registered through the Canadian Livestock Records Corporation.

The ideal Canadian Registered Katahdin sheep is polled and has a coat that sheds completely seasonally. The coat is naturally free of visible wooly fibres at all times. The shedding coat eliminates the need for shearing or tail docking. It is a heavily muscled, well proportioned animal with strong, thick legs, long loin, good depth, and good overall size.

The first Katahdin sheep were brought into Canada and Saskatchewan in the early 1990's. With the low maintenance involved and the appeal of mild tasting meat for the consumer, the Katahdin industry has experienced rapid growth. In 1999 the SKSA has more than 120 producer members and it is estimated that there are approximately 150 producers in Saskatchewan.

Marketing is the key to continued growth in the Katahdin industry. In 1997 the marketing arm of the SKSA was organized and is known as the Saskatchewan Katahdin Marketing Group (SKMG). The SKMG recognized that successful marketing required a coordinated approach with producers having accurate information on the comprehensive marketing process.

The primary objective of this project was:

To conduct a feasibility study on a systematic, efficient, and effective marketing process which moved Katahdin sheep meat from production on the farm to offerings in a number of retail outlets across Saskatchewan.

Additional objectives were:

1. To identify, analyse, and evaluate the viability of a wide-range of market opportunities.
2. To analyse marketing options including individual producer marketing and regional feedlots.
3. To identify regional abattoirs including those which are federally-inspected.
4. To identify the requirements for a federally-inspected slaughter plant.
5. To conduct an analysis of Katahdin meat to verify nutritional content.
6. To evaluate existing local, regional, and provincial meat processors.
7. To identify local, regional, and provincial meat retailers.
8. To investigate possible markets for Katahdin hides and organs.

II. SEARCH FOR MEAT MARKETS IN SASKATCHEWAN AND THE USA:

The search for markets in Saskatchewan that maintain the identity of Katahdin sheep meat identified small, random ones that cater to speciality groups and special occasions such as Easter and Christmas. Many producers have developed farm-gate marketing with a customer base made up of friends, acquaintances, neighbours, and associates. These operations are based on naturally grown animals; high-quality, personalized service; specialized cuts and products (sausage, salmi); and home delivery. Other producers have established relationships with farmer markets where they sell Katahdin sheep meat on a regular basis.

Some Saskatchewan producers choose to market their Katahdin sheep through the Saskatchewan Sheep Development Board using a bid price which includes transportation to the processing plant. Many times this method results in a lower price per pound for hair sheep.

The search for markets for Katahdin sheep outside of Saskatchewan has lead to relationships with feedlots and brokers in other provinces. However, in almost every situation the distance travelled is inhumane to the animals and the price paid for live animals is too low to cover trucking, shrinkage, and production costs. The cost of shipping live animals ranges from 23-25 cents per pound. Also, many retail outlets only want the choice cuts leaving the trim to be dealt with by the broker or producer.

A meat broker in Saskatoon identified a market in Japan which required 50 market animals per week. Unfortunately, there are not enough flocks in Saskatchewan to provide 2600 market animals per year. Also, live animals would have to be transported to Alberta for slaughter to meet export regulations.

In conclusion, the lack of a federally-inspected processing plant in Saskatchewan leaves producers and brokers no choice but to ship live animals and meat to and from a federal plant in Alberta, Manitoba, or Ontario. The costs to producers and brokers are then increased to a point that it is economically unrealistic to consider long-distance shipping. Also, the ability to add value through unique packaging, labelling, and cuts is lost when the meat has to be shipped far away.

III. MARKETING OPPORTUNITIES FOR HIDES:

Some work was done on the processing and marketing of Katahdin hides with limited markets being identified in Alberta. The initial challenge was in securing a processing plant that would tan the hides for a reasonable cost. The second challenge was in locating a plant that would process the tanned hides into useful products. In each case the cost of transporting hides to the plant in Edmonton either from the CanWest plant in Innisfail, Alberta or the collection point in Stettler, Alberta was greater than the value of the raw hide.

In the end, the marketing of hides became a lesser priority because the efficient marketing of live animals and the Katahdin meat became so difficult.

IV. MEAT MARKETING STRATEGY:

Shortly after this project began it became clear to those involved that the marketing of Katahdin sheep meat was dependent on three factors:

- the production of sufficient market lambs over the course of the year;
- the availability of a federally-inspected processing plant in Saskatchewan; and
- the ability for producers to maintain the Katahdin identity on all meat available for wholesale or retail sale.

In 1997 there were more than 120 Katahdin producers in Saskatchewan, the market for breeding stock was strong, the limited number of market lambs available were being processed through a number of provincial and health district approved processing plants, and the price for Katahdin sheep meat was reasonably high.

Today many small Katahdin producers, who had flocks of less than 50 ewes, have stopped raising sheep; the market for breeding stock is limited; the local market is too small for the volume of market lambs available; in most cases the Katahdin identity is lost during the processing of market lambs; and the price for Katahdin sheep meat is lower than usual.

As a result the Saskatchewan Katahdin Sheep Association (SKSA) has directed its attention and efforts to a project based in Saskatoon involving an entrepreneur, the University of Saskatchewan, a number of producer groups, and the Saskatchewan Sheep Development Board. This project involves the construction and operation of a federally-inspected processing plant, a secure national market, and the ability to process several speciality livestock species. Although the SKSA has been down this road many times over the last four years it is hoped that this project will succeed and the orderly processing and marketing of Katahdin sheep meat will become a reality.

V. CONCLUSION:

In the last four years the SKSA Board of Directors and members have spent considerable time, effort, and financial resources in an investigation of the feasibility of processing and marketing Katahdin sheep meat. What, in the beginning, was considered to be a straight forward exercise that would provide an effective and efficient marketing process quickly became an activity clouded with bureaucratic red tape, over lapping jurisdictions, conflicting regulations, and a lack of entrepreneurial commitment.

As a result, while the obstacles have been identified, the pitfalls clearly understood, and the challenges better articulated little has changed in the movement of Katahdin sheep meat from the producers' farms to the consumers' tables. It is the hope of every Katahdin producer in Saskatchewan that in the near future this environment will change and raising Katahdin sheep in Saskatchewan will be an enjoyable and profitable endeavour.

8. EQUIPMENT:

No equipment was purchased or rented for this project.

9. PHOTOS:

A photo of the Saskatchewan Katahdin Sheep Association display at Canadian Western Agribition was taken as a part of this project.

10. INNOVATION FUND ACKNOWLEDGEMENT:

The Saskatchewan Katahdin Sheep Association and it many producer members appreciate the support for this project by the **CANADA/SASKATCHEWAN AGRI-FOOD INNOVATION AGREEMENT**. This contribution has been acknowledged in all written and oral communications.

10. PUBLIC INFORMATION MATERIALS:

The following items were produced to provide public information on the qualities of Katahdin meat:

A. Package labels
B. Retail rail cards
C. A 2' x 4' banner with the "Canadian Katahdin Lamb - A Flavour To Savour" slogan
D. A leaflet detailing the nutritional content of Katahdin meat
E. A visit to Rose Farm by CKCK TV to discuss Katahdin sheep and the feasibility study funded by the Agri-Food Innovation Fund.
F. A submission to the SKSA *NEWS FOR EWES* newsletter.

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